

# **MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY**

## **2003 ANNUAL REPORT**



# Michigan Higher Education Facilities Authority

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## MISSION

The Michigan Higher Education Facilities Authority exists to lower the cost of non-profit higher education by providing Michigan's private non-profit educational institutions access to tax-exempt capital.

## VISION FOR THE FUTURE

The Michigan Higher Education Facilities Authority will be the first choice of financing for private non-profit higher educational institutions by being the most efficient and economical source of capital.

## VALUES

- ◆ Performance Excellence – Be the best at providing tax-exempt capital to private non-profit higher educational institutions
- ◆ Customer Focus – Provide high quality and responsive service to our clients
- ◆ Continuous Improvement – Reduce costs and streamline the financing process
- ◆ Dedication – To our mission and vision

# OVERVIEW OF 2003

**M**ichigan Higher Education Facilities Authority (MHEFA) completed 5 bond issues in 2003 totaling \$34,540,000. MHEFA's tax-exempt bonds were sold at both fixed and variable rates of interest. One of the bond issues received a bond rating and three were backed by a letter of credit.

**T**he largest bond issue of over \$12.9 Million for Kalamazoo College provided funds for the refinancing of bonds sold in 1997 and the renovation, expansion and equipping of the Upjohn Library, the Hicks Student Center, and residence halls.

**T**he bond issue for Baker College provided funds to purchase and renovate a two-story building of approximately 63,000 square feet and related maintenance garage located on a 13-acre site in Allen Park, Michigan. The facility will be used to provide post-secondary education.

**T**he bond issue for University of Detroit Mercy provided funds for energy, environmental and HVAC upgrades on the McNichols and Renaissance campuses and for the renovation of the Commerce and Finance Building on the McNichols campus.

**T**wo bond issues for Spring Arbor University provided funds for the construction of a new residence hall, renovation of existing student housing, energy management upgrades throughout the campus and refinancing of the Series 1992 Bonds.

**C**olleges and universities have increased financial and social demands for their resources. Independent nonprofit colleges and universities are facing increasing competition and have responded by improving facilities and programs. They have cut costs, increased efficiency and improved quality through the use of technology.

**A**dapting programs and facilities to meet changing student needs is capital intensive. Since nonprofit organizations cannot access the equity markets and charitable contributions are limited, tax-exempt indebtedness is the most cost-effective capital financing method for most of our independent nonprofit colleges and universities. The cost savings resulting from tax-exempt bonds assists Michigan's private non-profit colleges and universities limit their need to increase the cost of tuition. It is MHEFA's mission to provide low cost capital to Michigan's private non-profit colleges and universities.

# **MHEFA Authority Members**

The Michigan Higher Education Facilities Authority is comprised of eleven members, nine appointed by the Governor and two ex-officio non-voting members, who also constitute the membership of the Higher Education Facilities Commission of the State of Michigan. All members of the Authority serve without compensation but are entitled to reimbursement of expenses incurred in the performance of their duties under the Act. The present membership of the Authority is as follows:



***James Woolfolk***  
**Chair**

James Woolfolk is a plant manager for Delphi Saginaw, Saginaw Steering Systems. Mr. Woolfolk is appointed as chair to represent the residents of the state for a term expiring May 22, 2007.

Mr. Woolfolk graduated with a B.S. Degree from North Carolina AT&T University, and received a Masters Degree from Michigan State University.

Mr. Woolfolk has been a trustee with the Saginaw Board of Education for twenty-two years and served two terms as their president. He also served eleven years as Director on the Michigan Association of School Boards and served one term as their president.



***William J. Cochran***  
**Vice Chairperson**

Mr. Cochran, a resident of East Lansing, was appointed to the Authority in January 1993 and elected Vice Chairperson February 1, 2002. He is retired from a career in business and finance.

Mr. Cochran has been an officer of holding companies in both the cement industry and commercial banking. He held several positions in the Michigan Department of Commerce. Most recently he was active in the securities brokerage field as well as the investment management business. Mr. Cochran holds both Bachelor's and Master's degrees in Business Administration from the University of Michigan.



***James N. Goenner***  
**Member**

Mr. Goenner is Director of the Charter Schools Office at Central Michigan University. He has served as director of the office since February 1998. Mr. Goenner formerly served as president of the Michigan Association of Public School Academies, where he first became a leading advocate and spokesperson for Michigan's charter schools.

Jim has a Bachelor's degree in Business Administration from Grand Valley State University and a Master's degree in Educational Administration from Central Michigan University. He is a Doctoral candidate in Educational Leadership at Michigan State University.



***R. Miles Handy II***  
**Member**

Mr. Handy is owner of Pet Treats Plus, Redford, Michigan. He is a successful entrepreneur in the marketing of specialized pet products. He developed many innovative pet treats, one of which has become the #1 natural treat in the industry with sales of nearly \$200 million.

Mr. Handy was nominated Entrepreneur of the Year in Michigan in both 1996 and 1997 and a finalist in 1996. He has been featured in many national publications and has lectured on small business entrepreneurship at the college level.

Mr. Handy attended Louisiana University in Monroe, Louisiana where he studied Political Science and Business. He is an active member of the Republican Committee for the 11th Congressional District, an elected Redford Township Trustee, and is a breeder of AKC Registered Beagles.



***Herbert S. Kehrl***  
**Member**

Mr. Kehrl of Monroe, Michigan is a licensed realtor with Edward Surovell Realtors. Mr. Kehrl is appointed to represent the residents of the State for a term expiring May 22, 2007.

Mr. Kehrl graduated from Eastern Michigan University. He is a retired teacher who taught at Airport Community Schools and is also a retired middle school principal. Mr. Kehrl has been a member of the Rotary Club for 28 years. He was also a member and chair of the Monroe County Mental Health

Authority and he was the former President of the St. Joseph's Parish Council. He has served as the treasurer of Monroe Habitat for Humanity. He is currently a jail minister for the Monroe Vicariate.



***Robert Partridge***  
**Member**

Robert Partridge, a resident of Grand Rapids, is the Executive Vice President for Business and Finance at Grand Rapids Community College, the states oldest community college. He has been with the college in various capacities since 1971 and was appointed Chief Financial Officer in 1987. He was appointed to the Authority in May of 2002.

Mr. Partridge serves on the Grand Rapids Smartzone Board; the Board of Trustees of the Lake Michigan Credit Union; is assistant Treasurer of the Grand Rapids Community College Foundation Board, member of the Michigan Community College Business Officers association, past board member of the Grand Rapids Elks Lodge and attends Ada Congregational Church with his wife Gretchen. Mr. Partridge earned his Bachelors degree in Business Administration from Central Michigan University in 1971.



***Dr. Glenda Price***  
**Member**

Glenda D. Price is president of Marygrove College in Detroit. Dr. Price was elected the seventh president of the College in January 1998 and assumed office on July 1 of that year. Before coming to Marygrove, she served as provost of Spelman College in Atlanta.

Throughout her career, she has served on a wide variety of academic and professional boards. She has served as the president of the American Society for Clinical Laboratory Sciences and the National Certification Agency for Medical Laboratory Personnel. In addition, she has served on the board of directors of the Association of Schools of Allied

Health Professionals, the National Commission for Health Certifying Agencies, the University of New England and Western New England College. Currently she serves on the Board of Directors of Alma College, Compuware Corporation, Standard Federal Bank, and the Council of Independent Colleges.

Dr. Price holds bachelors, masters and doctoral degrees from Temple University in Philadelphia.



***James R. Saalfeld***  
**Member**

Mr. Saalfeld, a resident of Grand Rapids, is Vice President and General Counsel of Meritage Hospitality Group, the nation's only publicly-traded Wendy's franchisee which operates 40 Wendy's restaurants in the West Michigan region. From 1992 to 1996, Mr. Saalfeld was with the Dykema Gossett Law Firm in Grand Rapids. He was appointed to the Authority in September 2001.

Mr. Saalfeld serves in various capacities with other organizations including: Commissioner - Kent County Hospital Finance Authority; Member - Kent County Officer's Compensation Commission; Member - Michigan State Bar Committee on United States Courts; Vice President - Northwestern University Alumni Club of West Michigan; Interviewer - Northwestern University Law School Admissions; and Chairman - Immanuel Lutheran Church, Grand Rapids.

Mr. Saalfeld earned his Bachelor's degree in Political Science from the University of Nebraska in 1989 and his Juris Doctorate degree from Northwestern University School of Law in 1992.



***Carol Stockman***  
**Member**

Ms. Stockman, a resident of St. Joseph, is a retired Berrien County Treasurer. She served as Treasurer for twelve years and was co-chairman of the State Association Legislative Committee. Before being treasurer she was in banking and worked for the State Republican Committee.

Ms. Stockman is a graduate of St. Joseph High School and attended University of Michigan. Her family owned and operated a farm in rural St. Joseph. She is very active in her church, civic organizations and the Republican Party.



# Staff

**Thomas Letavis**, *Executive Secretary*

**Benjamin VanDyke, Jr.**, *Deputy Executive Secretary*

**Robert Broughan**, *Accountant*

**Susan Stokosa**, *Secretary*

**Warren Smith**, *Controller*

**John Barton**, *Financial Analyst*

**Kandy Miller**, *Receptionist*

# **Financing Profiles**

## BAKER COLLEGE

**Series 2003**  
(Flint, Michigan)

**Amount**  
\$5,000,000

**Ratings**  
None

**Closing Date:** February 11, 2003

**Underwriter**  
*Robert W. Baird & Co*

**Bond Counsel**  
*Dickinson Wright, PLLC*

The proceeds were used to purchase and renovate a building to be used for classrooms in Allen Park, Michigan.

## KALAMAZOO COLLEGE

**Series 2003**  
(Kalamazoo, Michigan)

**Amount**  
\$12,940,000

**Ratings**  
A1

**Closing Date:** August 14, 2003

**Underwriter**  
*Nat City Investments*

**Bond Counsel**  
*Dickinson Wright, PLLC.*

The proceeds were used to renovate the Upjohn Library, the Hicks Student Center, Hobin Hall, Crissey Hall, and Severn Hall.

# SPRING ARBOR UNIVERSITY

## Series 2003

(Spring Arbor, Michigan)

**Amount**  
\$2,550,000

**Letter of Credit**  
*Comerica Bank*

**Underwriter**  
*Comerica Securities*

**Bond Counsel**  
*Dickinson Wright, PLLC*

**Closing Date:** *January 30, 2003*

The proceeds were used for the construction of new residence hall, renovation of existing student housing, and refunding of the Authority's Series 1992 Bonds.

# SPRING ARBOR UNIVERSITY

## Series 2003B

(Spring Arbor, Michigan)

**Amount**  
\$3,820,000

**Letter of Credit**  
*Comerica Bank*

**Underwriter**  
*Comerica Securities*

**Bond Counsel**  
*Dickinson Wright, PLLC*

**Closing Date:** *October 22, 2003*

The proceeds were used to perform extensive energy management upgrades throughout the campus.

# UNIVERSITY OF DETROIT MERCY

**Series 2003**  
(Detroit, Michigan)

**Amount**  
*\$10,200,000*

**Letter of Credit**  
*Comerica Bank*

**Closing Date:** *July 10, 2003*

**Underwriter**  
*Comerica Securities*

**Bond Counsel**  
*Bodman, Longley & Dahling LLP*

The proceeds were used to perform numerous facility upgrades and renovations.

# **MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY**

## **LIST OF BOND ISSUES**

BOND NO.	CLOSING DATE	COLLEGE NAME	AMOUNT ISSUED	STATUS	INTEREST RATE	S&P/MOODY(FITCH)	
						ORIGINAL	CURRENT
1	08/02/78	Mercy College	2,215,000	Retired	6.75%	None	Retired
2	09/30/80	Hope College	1,400,000	Retired	7.50%	None	Retired
3	01/25/82	Hope College	2,900,000	Retired	10.50%	None	Retired
4	12/28/83	Kalamazoo College	4,000,000	Retired	9.60%	AAA/Aaa	Retired
5	07/31/85	Pool	60,000,000	Retired	Variable	AAA/Aaa	Retired
6	04/05/88	Hope College	2,375,000	Retired	6.75%	None	Retired
7	12/15/88	Calvin College	4,500,000	Retired	8.00%	None	Retired
8	07/31/89	Davenport College	5,000,000	Retired	8.03%	A1	Retired
9	03/26/90	Calvin College	3,520,000	Retired	7.00%	None	Retired
10	09/25/90	Albion College	11,100,000	Retired	7.50%	None	Retired
11	12/06/90	Olivet College	4,000,000	Retired	7.00%	None	Retired
12	12/20/90	Hope College	11,430,000	Retired	7.13%	None	Retired
13	05/16/91	Aquinas College	10,000,000	Retired	7.35%	A	Retired
14	11/21/91	Alma College	6,670,000	Retired	6.35%	None	Retired
15	06/23/92	Spring Arbor College	950,000	Retired	6.90%	None	Retired
16	12/10/92	Cleary College, 1992	2,500,000	Retired	7.00%	None	Retired
17	08/20/93	U of Detroit Mercy 1993	5,075,000	Retired	6.00%	None	Retired
18	09/01/93	Davenport College, 1993A	12,300,000	Retired	5.49%	None	Retired
18	09/01/93	Davenport College, 1993B	3,500,000	Retired	Variable	None	Retired
19	10/27/93	Olivet College 1993	5,215,000	Retired	5.40%	None	Retired
20	02/17/94	Calvin College 1994	10,120,000	Retired	5.40%	None	Retired
21	06/16/94	Hope College 1994	29,000,000	Partial Refunding	6.45%	AAA	AAA
22	11/09/94	Marygrove College 1994	2,845,000		7.25%	None	None
23	11/16/94	Kalamazoo College 1994	5,560,000	Retired	6.45%	None	Retired
24	01/11/95	Aquinas College 1995	12,800,000	Partial Refunding	7.10%	A	A
25	03/29/95	Albion College, 1995A	6,820,000	Retired	Variable	None	Retired
25	03/29/95	Albion College, 1995B	6,685,000	Retired	5.70%	None	Retired
26	05/09/95	Cooley Law School 1995	10,000,000	Retired	6.30%	None	Retired
27	05/17/95	U of Detroit Mercy 1995	3,300,000	Variable Rate	Variable	None	None

# ***MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY***

## **LIST OF BOND ISSUES**

28	05/01/96	Alma College 1996	4,365,000	Retired	5.00%	None	None
29	06/04/96	Hope College, 1996A (TAX)	7,150,000	Variable Rate	Variable	None	None
29	06/04/96	Hope College, 1996B	6,850,000		6.25%	None	None
30	06/13/96	U of Detroit Mercy 1996	11,310,000		6.60%	None	None
31	06/21/96	Walsh College 1996	9,305,000		7.00%	None	None
32	03/19/97	Davenport College, 1997	6,000,000	Variable Rate	Variable	None	None
33	07/30/97	Adrian College, 1997	3,455,000		4.80%	AAA/Aaa	AAA/Aaa
34	09/10/97	Kalamazoo College 1997	4,440,000	Escrowed to Call	5.30%	None	None
35	03/24/98	Calvin College, 1998	22,000,000		5.55%	None	None
36	06/03/98	Cooley Law School 1998	27,000,000		5.40%	None	None
37	09/30/98	Aquinas College, 1998C	13,685,000		5.20%	AA	AA
38	12/07/98	Aquinas College, 1998A	3,300,000		5.20%	None	None
39	12/09/98	Cleary College, 1998	3,000,000		6.00%	None	None
40	03/24/99	Hope College, 1999	17,080,000		5.40%	None	None
41	06/23/99	CCS, 1999	7,500,000	Retired	Variable	None	Retired
42	07/30/99	Adrian College, 1999	3,200,000	Variable Rate	Variable	None	None
43	08/10/99	Olivet College, 1999	7,875,000		5.50%	None	None
44	09/24/99	Concordia, 1999	7,325,000	Retired	Variable	None	Retired
45	06/01/00	Alma College, 2000	7,370,000		5.75%	/A3	/A3
46	09/07/00	Albion College, 2000	20,805,000	Variable Rate	Variable	NONE	None
47	11/08/00	Kalamazoo College, 2000	9,095,000		5.50%	/A2	/A2
48	12/07/00	Kettering University, 2000	3,100,000	Retired	4.45%	None	Retired
49	12/20/00	Calvin College, 2000	26,000,000		5.90%	None	None
50	08/29/01	Ave Maria School of Law, 2001	16,500,000	Variable Rate	2.40%	None	None
51	09/06/01	Kettering University, 2001	27,685,000		5.15%	Aaa	AAA
52	03/06/02	Calvin College, 2002	5,100,000		3.85%	None	None
53	05/07/02	Hope College 2002A	18,910,000		5.90%	BBB	BBB
54	05/07/02	Hope College 2002B	20,955,000	Variable Rate	1.60%	None	None
55	06/19/02	College for Creative Studies 2002	10,895,000		5.90%	/Baa2	None

**MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY****LIST OF BOND ISSUES**

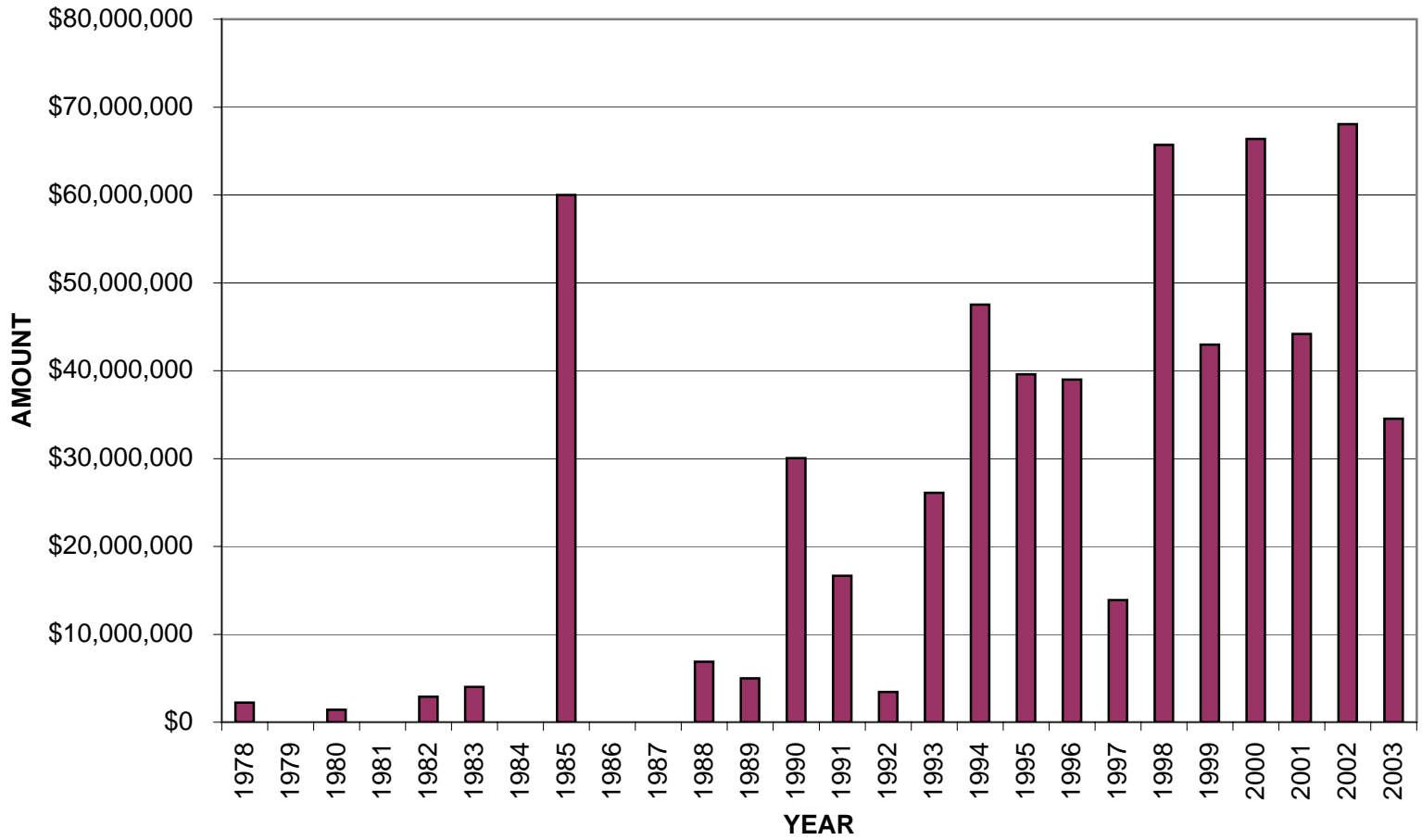
56	08/28/02	Adrian College Project, Series 2002	5,190,000	Variable Rate	1.40%	None	None
57	08/29/02	Davenport University Project, Series 2002	7,000,000	Variable Rate	1.33%	None	None
58	01/30/03	Spring Arbor University	2,550,000		5.05%	/A1	/A1
59	02/11/03	Baker College	5,000,000		3.25%	None	None
60	07/10/03	University of Detroit Mercy	10,200,000	Variable Rate	Variable	None	None
61	08/14/03	Kalamazoo College, 2003	12,940,000		5.00%	None	/A1
62	10/22/03	Spring Arbor University Series 2003B	3,850,000		5.00%	/A1	/A1
63	06/09/04	Davenport University Project, Series 2004	24,000,000	Variable Rate	1.05%	None	None
<b>TOTAL</b>			647,765,000				



**MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY**  
AVERAGE ANNUAL FIXED and VARIABLE INTEREST RATE SUMMARY



MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY  
Calendar Year Bond Issue Volume Chart



**MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2003  
Summary of Financial Operations**

**ASSETS:**

Current Assets	\$428,113
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**LIABILITIES:**

Current Liabilities	<u>\$1,332</u>
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**NET ASSETS:**

*Unrestricted \$426,781*

**MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2003  
Summary of Financial Operations**

**OPERATING REVENUES:**

Authority fees	\$112,992
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**OPERATING EXPENSES:**

Operating Expenses	<u>\$108,265</u>
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<b>OPERATING INCOME</b>	<b>\$4,727</b>
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**NONOPERATING REVENUES:**

Investment income	<u>\$4,995</u>
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<b>CHANGE IN NET ASSETS</b>	<b>\$9,722</b>
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**NET ASSETS:**

Beginning of year	<u>\$417,059</u>
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End of year	<u><u>\$426,781</u></u>
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Audited Report on Financial Operations is available on request.